

**CITY OF MARIETTA EMPLOYEES' PENSION BOARD
STATEMENT OF INVESTMENT POLICY**

I. PURPOSE OF THIS STATEMENT OF INVESTMENT POLICY

- A. This Statement of Investment Policy outlines the objectives, goals, and guidelines for the Fund and is set forth in order that:
1. There will be a clear understanding on the part of the Trustee and the Investment Manager(s) of the investment objectives and policies of the Fund so as to minimize the chance of the Trustees being surprised by results from what could be expected to occur during various stages of a market cycle.
 2. The Investment Manager(s) will be given guidance and limitations in the investment of the Fund's assets.
 3. The Trustees have a meaningful basis for the evaluation of the portfolio management by Investment Manager(s) in order that Trustees meet their fiduciary responsibility to prudently monitor the investments of the fund.
- B. The Fund shall be managed at all times in accordance with the laws of the State of Georgia and the City of Marietta.
1. The investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.
 2. The investment of the Fund's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries.
- C. It is the intent of this document to state general attitudes, guidelines, and a philosophy which will guide the Investment Manager(s) toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful but adequately flexible to be practicable.

II. RESPONSIBILITIES OF THE TRUSTEES

- A. The specific responsibilities of the Trustees in the investment process include:
1. Structuring the Fund so all assets are prudently invested.

2. Determining the Fund's projected financial needs and communicating such to the Investment Manager(s) on a timely basis.
 3. Expressing the Fund's risk tolerance level.
 4. Developing sound and consistent investment objectives policy guidelines, which the Investment Manager(s) can use in formulating corresponding investment decisions.
 5. Establishing reasonable investment objectives.
 6. Selecting qualified Investment Manager(s).
 7. Communicating clearly the major duties and responsibilities of the Investment Manager(s).
 8. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and objectives are being met.
 9. Taking appropriate action to replace an Investment Manager(s), for failure to perform as expected.
 10. Complying with the laws of the State of Georgia and the City of Marietta, Georgia.
- B. The Trustees recognize that their role is supervisory--not advisory and that determination of securities selection must be delegated to the Investment Manager.
- C. The investment policy objectives, goals, and guidelines that follow should represent the current consensus of the Trustees' philosophy regarding the investment of Fund's assets. The Statement of Investment Policy will need to be reviewed and possibly revised from time to time to ensure that the Statement continues to reflect the Trustees' attitudes, expectations, and objectives.

III. RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

- A. Adherence to Statement of Investment Policy:
1. The Investment Manager(s) is expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments of instructions.

2. The Investment Manger(s) acceptance of the responsibility to manage assets of the fund will constitute a ratification of this Statement of Investment Policy, affirming the belief that they are realistically capable of achieving the Fund's objectives within the guidelines and limitations stated herein.

B. Discretionary Authority:

The Investment Manager(s) will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Investment Manager's current investment approach and compatible with the Fund's investment guidelines.

C. Communication:

1. Investment Manager(s) will keep the Trustees informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting their investment policies of philosophy.
2. Trustees also expect to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of Investment Manager's firm.
3. Whenever Investment Manager believes that any particular guideline should be altered or deleted, it will be the Investment Manager(s) responsibility to initiate written communications with the Trustees expressing its views and recommendations.

D. Reporting

1. Trustees expect to receive timely notices of transaction activities as well as quarterly performance reports.
2. In addition, any information needed to assist the Trustees in conducting their evaluation of the Investment Manager's performance as it relates to Fund assets will be presented on a timely basis.

E. Voting:

The Investment Manager(s), as part of its duties and responsibilities, shall have the sole and exclusive right to vote any and all proxies solicited in connection with securities held by the Fund.

F. Investment Transactions:

The Investment Manager(s), as fiduciary, has the responsibility to execute every transaction on a price basis.

G. Compliance with the laws of the State of Georgia, the City of Marietta, and other Appropriate Legislation:

1. The Investment Manager(s) is responsible for compliance with the "Prudent Man Standard" as it pertains to the Investment Manager's duties and responsibilities as fiduciary.
2. The Investment Manager(s) is to acknowledge in writing its recognition and acceptance of full responsibility as a fiduciary to the Fund assets.

IV. INVESTMENT OBJECTIVES

Fund is a balanced portfolio composed of equity, fixed income, and cash equivalent securities and, as such, is intended to be more aggressive than fixed income-oriented portfolios. In this context, "aggressive" relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, and expected long-term rates of return and return volatility.

Within the above framework, the investment objectives for the Fund are stated below in order of importance:

1. Meet or Exceed the Stated Actuarial Interest Rate Assumption (described in Section V4.)
2. Preservation of Purchasing Power- The preservation of purchasing power is the primary long-term investment objective for the Fund. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of the participants' assets.
3. Long-Term Growth of Capital: It is recognized that short-term fluctuations may result in the loss of capital earned on occasion (i.e., negative rates or return). However, in the absence of contributions and withdrawals, the asset value of the Fund should grow in the long run and earn rates of return greater than those of a balanced Market Index (see Section V.2) while avoiding excessive risk.

V. INVESTMENT GOALS

At least three of the four following investment goals are expected to be achieved over a three to five year time period.

1. To achieve a total return that is above the median of a representative universe of professionally manager funds selected by the Investment Management Consulting Services Department of Sterne Agee. Average ranking over a period of years is the performance criteria rather than the ranking achieved in any one specific year.
2. To exceed the return of a balanced Market Index comprised of the Standard and Poor's 500 stock index, Shearson Lehman Government/Corporate bond index, and U.S. Treasury Bills in the proportions equal to the long-term average asset mix of each portfolio.
3. To exceed the rate of Inflation (as measured by the Consumer Price Index) by 3% at least on an annual basis.
4. To match or exceed the annual actuarial interest rate assumption of 8.0%.

VI. INVESTMENT GUIDELINES

The Trustee recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the Investment Manager (s) the opportunity to achieve satisfactory long-term results consistent with objectives fiduciary character of the Fund.

A. Types of Assets

All assets selected for the portfolio must have a readily ascertainable market value, and must be readily marketable. In order to provide the Investment Manager(s) with flexibility to invest in various type of assets, the following list of types of assets are among those approved for investment:

Equities:

- Common Stocks
- Preferred Stocks
- Convertible Securities Including Debentures
- American Depository Receipts (ADRs) of Foreign Companies

Fixed Income Investment:

- U.S. Government and Agency Securities (notes and bonds)
- Commercial Paper
- Certificates of Deposit
- Corporate Bonds

The following types of assets or transactions are expressly prohibited:

- Commodities
- Unregistered Letter Stock
- Private Placements
- Warrants
- Purchase of Equity Securities on Margin
- Selling Short
- Real Estate Equity
- All Options and Futures, except covered call writing

B. Asset Allocation:

It shall be the policy of the Fund to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Mix Policy (based on cost of securities)

<u>Asset Category</u>	<u>Maximum</u>
Equities	55%
Fixed Income	100%
Short-Term Investments	100%

The Asset Mix Policy established by the Trustees represent a long-term view. As such, rapid and significant market movements may cause the Fund's actual current market value of the asset mix to fall outside the policy range, but it is expected that any divergence should be of a short-term nature.

C. Stocks:

1. Diversification: The equity portfolio should be well-diversified to avoid undue exposure to any single economic sector, industry group, or individual security.
2. Quality and Marketability: Common and convertible preferred stocks should be of good quality and listed on either the New York or American Stock Exchange or traded in the over-the-counter market with the requirement that such stocks have adequate market liquidity relative to the size of the investment.
3. Capitalization: No more than 5% of stocks can be invested in companies with market capitalization less than \$250 million at the time of purchase.
4. Concentration by Issuer:
 - a. No more than 5% of total equity Fund assets shall be invested in the securities of any one issuing corporation at the time of purchase on a cost basis.

- b. No more than 10% of the market value of total equity Fund assets should be invested in any one industry at the time of purchase.
 - c. Corporate Issues should be at least \$25 million par value.
 - d. Fixed income holdings for the Fund should not represent more than 5% of the total issue.
 - 5. Portfolio Maturity: The fixed income portfolio should not have a weighted average maturity of longer than Shearson Lehman Government/Corporate bond index or 10 years, whichever is longer.
 - 6. Issue Maturity: No individual corporate fixed income issue should have a maturity longer than 30 years. No individual U.S. Government fixed income issue should have a maturity longer than 50 years.
- D. Short Term Investments

- 1. Certificate of Deposits
 - a. Quality: Must be issued by a major depository which has capital and surplus of \$100 million or more.
 - b. Concentration by Issuer: Investment in any one issuer shall not exceed 5% of total Fund assets at market at the time of purchase.
 - c. Insurance: Issuer must be Federally insured.
- 2. Commercial Paper
 - a. Quality: Must have a rating of not less than A1 by Standard & Poor's or P1 by Moody's.
 - b. Concentration by Issuer: Investment in any one issuer shall not exceed 5% of total Fund assets at the time of purchase.

F. Portfolio Fluctuation:

The volatility of returns, as measured by the standard deviation of monthly rates of return for the total portfolio, will be monitored and evaluated by the Trustees on a continuing basis.

VII. INVESTMENT PERFORMANCE REVIEW AND EVALUATION

- A. Performance results for the Investment Manager(s) will be measured on a quarterly basis.

- B. Total fund performance will be measured against a balanced Market Index weighted to match the long-term average asset mix of the Fund.
- C. The investment performance of the total portfolio and equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted benchmarks.
- D. Total fund performance will be compared to the CDA Balanced Universe or similar universe with the percentage of equity and fixed income to be indicative of the long term asset mix of the Fund.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement

- F. While the Trustees intend to fairly evaluate the portfolio performance over the agreed period of evaluation, Trustees reserve the right to change Investment Manager(s) if there is:
 - 1. Unacceptable justification for poor results;
 - 2. Lack of responsiveness to the Trustees' overall concern about the market-inflexibility of approach.
 - 3. Failure to meet Trustees' communication and reporting requirements.

VIII. COMMUNICATIONS

- A. Investment Manager (s) communications with the Trustees
 - 1. Provide portfolio valuation and transaction listing on at least a quarterly basis.
 - 2. Meet with the Trustees as requested
 - a. Review past investment performance, evaluate the current investment outlook and discuss investment strategy.
 - b. Provide information regarding major changes in investment policy that may result in major investment
 - c. Review any significant changes in management, research, personnel or ownership within the investment management firm.
- B. Trustee Communication with Investment Manager
 - 1. On a timely basis, provide the Investment Manager (s) with revisions of the master Statement of Investment Policy, Objectives, and Guidelines.

2. Meet with the Investment Manager(s) as requested
 - a. Review and discuss any modifications and changes to the Fund's investment objectives, goals, and guidelines.
 - b. Identify any significant anticipated changes in the Fund's cash flow.
 - c. Any other matters which may bear upon the Fund's assets.

IX. SUMMARY

- A. All investments are to be made for the benefit of the Fund participants in a prudent manner.
- B. It is expected that the Investment Manager(s) will manage the assets so that the results will meet the objectives and goals as set forth in this Statement.

X. SIGNATURES

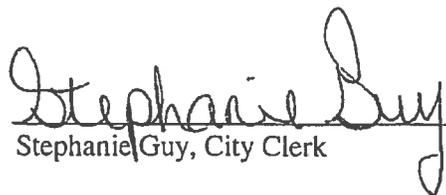
This policy statement shall be binding on all parties doing business with the Trustees, and all such parties shall abide by the terms and conditions set forth herein.



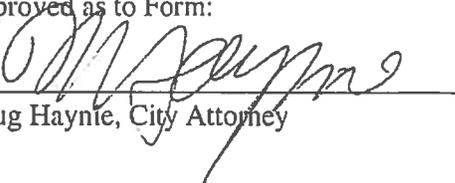
Mark Anderson
Chairman, Pension Board



William B. Dunaway, Mayor

Attest: 

Stephanie Guy, City Clerk

Approved as to Form:


Doug Haynie, City Attorney

Investment Policy Statement

City of Marietta/BLW Defined Benefit Pension Plan

January 2009

Legistar I.D. #20110124

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FUND DESCRIPTION

Purpose

This Investment Policy Statement has been adopted by the Board of the City of Marietta/BLW Defined Benefit Pension Plan ("Board") to outline the prudent and acceptable investment philosophy of the City of Marietta/BLW Defined Benefit Pension Plan. It will also define the City of Marietta/BLW Defined Benefit Pension Plan's investment management procedures and long-term goals. It is meant to provide a clear understanding between the Board, the Investment Committee, the Investment Consultant and Investment Managers concerning the investment policies and objectives of the Pension Fund.

Fund Leadership

The pension board shall consist of nine (9) members elected from posts as follows:

Post 1: City Manager or his designee

Post 2: Appointed Council Member

Post 3: Appointed Council Member

Post 4: General employee representative

Post 5: General employee representative

Post 6: General employee representative

Post 7: General employee representative

Post 8: Police department representative

Post 9: Fire department representative

The police chief and fire chief shall be ex-officio members of the pension board and shall only vote in the absence of the police and fire representatives.

Council Representative. Two (2) members of the council shall serve on the pension board. They shall be appointed by the mayor with consent of the council and shall serve for their duly elected term. If for some reason a duly appointed member cannot fulfill his or her term of the board, he or she shall be replaced by a member of the council appointed by the mayor with consent of the council.

Police Representative. One member of the pension board shall be a representative of the police department. The senior officer in each of the ranks of police deputy chief, police captain, police lieutenant, police sergeant, detective and police officer shall serve as a nominating committee for the police department. The highest ranking officer shall serve as chairman of the nominating committee.

Fire Representative. One member of the pension board shall be a representative of the fire department. The senior officer in each of the ranks of deputy chief, assistant chief, commander, lieutenant, firefighter engineer, and firefighter shall serve as a nominating committee for the fire department. The highest ranking officer shall serve as a chairman of the nominating committee.

General Employees. Four (4) members of the pension board shall be representatives of the general employees. A nominating committee consisting of the director of human resources, or a designee thereof; two (2) persons appointed by the director of public works, one (1) of which cannot be in a supervisory position; three (3) persons appointed by the BLW general manager, one (1) of which cannot be in a supervisory position; two (2) persons appointed by the city manager, one (1) of which cannot be in a supervisory position; one person appointed by the director of parks and recreation, shall nominate the candidate for membership on the pension board. The director of human resources, or the designee thereof, shall act as presiding officer of the nominating committee and call a meeting of the committee in the month of November in the year immediately preceding the end of the current member's term. The purpose of this meeting shall be to nominate two (2) candidates for each expiring term of a member of the pension board represented by the general employees. The names of such employees nominated shall be placed on a ballot with space provided for

write-ins. Ballots shall be distributed to all general employees. Ballots shall be marked in secret and returned to the nominating committee the same day they are distributed. Each employee will vote for as many candidates as there are representative seats of the general employees expiring on January 1. The candidates receiving the highest plurality votes for such seats shall be selected as the representatives of the general employees to the pension board. If for any reason or duly elected representatives of the general employees cannot fulfill his or her office, the nominating committee shall designate a replacement for the duration of vacated membership.

Officers. The pension board may elect such officers as it deems necessary. The board shall elect a chairman and a secretary. The chairman shall preside at meetings of the board, cast a vote on any issue, call meetings as may be necessary, and do all things necessary to carry on the orderly affairs of the board. The chairman shall be selected by a majority vote of the board for a one-year term. The board shall designate, in writing, a secretary or other representative who shall have full authority to represent the board in all communications with any provider and the city's employees, including elected and appointed members of the governing authority. The secretary shall keep accurate minutes of all meetings of the board, recording those voting for and against any issue. Minutes shall be distributed to each member of the board, the council of the City of Marietta and shall be posted in a prominent place(s) within the City Government Complex.

Legal Assistance. The city attorney or other attorney appointed by the governing authority shall furnish legal advice to the pension board on any issue before it upon which legal advice is sought.

Plan Sponsor Details

City of Marietta/BLW Defined Benefit Pension Plan

Federal Tax Identification Number

58-6000616 TEN

Fiscal Year End

June 30th

Key Contacts for the Pension

Board Chairman
Mark Anderson

City Manager
Bill Bruton

Finance Director
Sam Lady

Secretary to the Board
Human Resources & Risk Management Director
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INTRODUCTION

Purpose

This Investment Policy Statement has been adopted by the Board of the City of Marietta/BLW Defined Benefit Pension Plan to outline the prudent and acceptable investment philosophy of the Board, and defines City's investment management procedures and long-term goals. It is meant to provide a clear understanding between the Board, the Investment Consultant and Investment Managers concerning the investment policies and objectives of the Pension Fund.

Justification

The principal reason for developing this long-term investment perspective and for putting it in writing is to protect the Pension Fund from *ad hoc* revisions of a sound long-term perspective. The written investment policy will help maintain a long-term perspective when short-term market movements may be distressing and the conditions seem unfavorable for the attainment of long-term objectives.

The development of this investment policy follows the basic approach underlying financial planning: assessment of the Pension Fund's financial condition, setting of investment objectives, development of a strategy to meet the objectives, implementation of the strategy, regular review of the results and adjustments of the strategy or the implementation as circumstances dictate.

Policy Objectives

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding regarding the Pension Fund's investment objectives and management practices between the City of Marietta/BLW Defined Benefit Pension Plan, its Investment Consultant and the Investment Managers engaged by the Pension Fund. This Investment Policy Statement will:

1. Establish reasonable expectations, objectives and guidelines for the investment of the assets in the Fund.
2. Create the framework for a well-diversified asset mix that can be expected to generate achievable long-term returns at a level of risk acceptable to the City of Marietta, including:
 - Describing an appropriate risk posture for the investment of the Pension Fund;
 - Specifying broad target asset allocation ranges and constraints;
 - Establishing investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets;
 - Specifying the criteria for evaluating the performance of the Pension Fund's Investment Managers.
3. Ensure this policy and its implementation conforms to OCGA 47-20-83 and OCGA 47-20-84.
4. Define the responsibilities of the City of Marietta/BLW Defined Benefit Pension Plan, the Consultant and the Investment Managers.
5. Encourage effective communication between the City of Marietta/BLW Defined Benefit Pension Plan, its Consultant and the Investment Managers.

The investment policies described in this IPS should be dynamic. They should reflect the City of Marietta/BLW Defined Benefit Pension Plan's philosophy and current status regarding the investment of the Pension Fund. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Pension Fund and capital markets expectations.

Policy Implementation

The following steps were undertaken by the Board, in conjunction and with the assistance of the Consultant:

1. Assess the Pension Fund's financial situation—identify its goals and needs.
2. Determine its tolerance for risk and investment time horizon.
3. Set long term investment objectives.
4. Identify any restrictions on the Fund and its assets, in keeping with all applicable State of Georgia statutes.
5. Determine the asset classes and mix appropriate (the "Asset Allocation") to maximize the likelihood of achieving the investment objectives at an acceptable level of risk, and in keeping with the limitations imposed by the statute.
6. Determine the investment methodology to be used with regard to investment manager selection and retention, rebalancing disciplines, portfolio reviews and reporting, etc.
7. Implement the decisions.

INVESTMENT PHILOSOPHY

The basic tenets under which this Pension Fund will be managed include the following:

1. A recognition of the investment restrictions specified by the State of Georgia in OCGA 47-20-83 and OCGA 47-20-84. The Pension Fund shall be managed and overseen by the Board to fully comply with these regulations.
2. Modern Portfolio Theory, as recognized by the 1990 Nobel Prize, will be the primary influence governing the way the portfolio will be structured and how subsequent decisions will be made. The underlying concepts of Modern Portfolio Theory include:
 - Pensions are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns.
 - Traditional equity and bond markets are generally efficient. It is difficult to know ahead of time the next direction of the market as a whole or of any individual security.
 - The portfolio as a whole is more important than an individual security. The appropriate allocation of capital among asset classes: equities (stocks), fixed income (bonds) and cash will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
 - For every risk level, there exists an optimal combination of asset classes that will maximize returns. A diverse set of asset classes will be selected to help

minimize risk. The proportionality of the mix of asset classes will determine the long-term risk and return characteristics of the portfolio as a whole.

- The study of historical market behavior is used as a technique in modeling expected risk and returns. The selected time frames used in these models can greatly influence projected risks and returns.
 - Portfolio risk can be decreased by increasing diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.)
 - Asset diversification spreads the portfolio's investments among different assets to reduce individual investment risk. Asset allocation spreads investments among different classes of assets to reduce market risk. Systematic risk (i.e., market risk, liquidity risk and inflation risk) is common to all securities and cannot be eliminated entirely.
3. Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value).
 4. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world. Investing globally has also been shown historically to enhance portfolio returns, although there is no guarantee that it will do so in the future.
 5. The underlying approach to the management of the Pension Fund shall be to optimize the risk/return relationship appropriate to the Pension Fund's needs and objectives. It will use a globally diverse portfolio of a variety of asset classes using institutional money management firms (investment managers) to invest in selected securities and strategies, and to periodically re-optimize (rebalance).

INVESTMENT OBJECTIVES/GOALS

The Board recognizes the importance of establishing investment performance objectives for the Pension Fund. The objectives establish a basis for judging the effectiveness of the Investment Policy Statement and the performance of the Investment Managers. The objectives are to be specific measurable standards that, when achieved, will ensure a well-funded retirement plan for the City of Marietta Employees. The specific investment return objectives for the Pension Fund shall be as follows:

1. Achieve or exceed the 8.0 % actuarial rate of return as determined by the Pension Fund's actuary over a rolling five year time period;
2. To exceed the rate of Inflation (as measured by the Consumer Price Index) by 3% over a rolling three year time period;
3. To exceed the return of a balanced Market Index comprised of the Standard and Poor's 500 stock index and the Lehman Brothers Aggregate bond index in the proportions equal to allowable limits as outlined in the Georgia State Legal Codes OCGA 47-20-83 and 47-20-84;

4. For each engaged Investment Manager, realize an investment return, net of all fees, that exceeds their assigned benchmark(s) and the median of their peer group over a rolling five year time horizon.

TIME HORIZON

This Investment Policy Statement assumes a long-term investment time horizon of ten years. Capital values do fluctuate over shorter periods and the Board recognizes that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least three to five years can be minimized with the asset diversification mix employed under this Investment Policy Statement.

RISK TOLERANCE

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Pension Fund is the determination of an appropriate risk tolerance. While the overall level of risk is governed in total by statutory constraints, within those constraints the City of Marietta/BLW Defined Benefit Pension Plan' risk tolerance is dictated by:

- Financial ability to accept risk within the investment program, and;
- Willingness to accept return volatility.

Taking these two factors into account, the Board rates the City of Marietta/BLW Defined Benefit Pension Plan' risk tolerance as moderate between bond and stock volatility, which historically falls between a 5% to 15% standard deviation, with an 8% to 10% target. The Board recognizes the difficulty of achieving the Fund's investment and financial objectives over the short run in light of the uncertainties of markets, and it accepts the volatility that will be experienced in order to achieve the Fund's long-term objectives. Accordingly, the Board will tolerate infrequent, very moderate negative returns through a market cycle according to each investment style. However, the overall effect of this Policy should be to minimize total volatility while maximizing total portfolio returns through diversification.

ASSET ALLOCATION

Investment Policy Mix

OCGA 47-20-83/84 provides guidance for investment policy on the basis of cost of securities when acquired for the portfolio. The following limits on the policy mix (target allocations are shown in the attached appendix) are established to comply with that guidance on a long-term basis.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
1. Equity	20.0%	55.0%	
A. Large Cap	10.0%	55.0%	
B. Small-Mid Cap	0.0%	30.0%	
C. International	0.0%	10.0%	
D. Public Real Estate (REITS)	0.0%	15.0%	
2. Fixed	15.0%	80.0%	
A. Investment Grade	15.0%	80.0%	
B. International	0.0%	7.5%	
3. Alternatives	0.0%	15.0%	
A. Convertible Bonds	0.0%	15.0%	

Permitted Security Types

1. Stocks, Bonds, Marketable Fixed Income Securities, Money Market Funds.
2. Separately Managed Accounts, Unitized Trusts-Commingled Trusts, Mutual Funds, Closed-End Funds.
3. Individual Stocks, as long as they are traded on a major U.S. or International Exchanges.
4. Individual Bonds, as long as they traded on a major U.S. or International exchange.

Categories of Approved Investment Securities

All Investment Managers shall manage their assigned portfolios to comply with Georgia State Legal Codes OCGA 47-20-83 and 47-20-84.

1. Marketable securities issued by, or guaranteed by the governments of the U.S. or Canada.
2. Marketable securities issued by U.S. and non-U.S. based companies, subject to the issuer's market capitalization and financial strength as specified in paragraphs (1), (11) and (12) of OCGA 47-20-83.
3. Mortgage-Backed and Asset-Backed fixed income securities subject to certain credit rating and purpose restrictions as detailed in paragraphs (9), (13) and (15) of OCGA 47-20-83.

4. Non-U.S. government and corporate issued equity and debt securities are allowed subject to the restrictions contained in paragraphs (1), (7) and (10) of OCGA 47-20-83, and paragraph (b) of OCGA 47-20-84.

Rebalancing Procedures

At least quarterly, the City of Marietta/BLW Defined Benefit Pension Plan Board, in conjunction with its Consultant, will review asset levels for each of the asset classes, Investment Managers and strategies, and determine if assets should or must be moved in order to remain within the prescribed Investment Policy limits or to achieve improved performance in the portfolio. On occasions when such moves are warranted, the Investment Consultant will prepare recommendations and rationale for presentation to the Board for their approval and subsequent directions to the City of Marietta/BLW Defined Benefit Pension Plan staff for execution.

Annual Review

At least once each year, the City of Marietta/BLW Defined Benefit Pension Plan, in conjunction with the Investment Consultant, will undertake to review the above asset classes, targets and ranges with respect for expected future performance, taking into consideration capital market expectations and economic forecasts. If warranted, the Consultant will prepare recommendations and rationale for revisions to this Investment Policy Statement to reflect a new Policy Mix for approval by the Board, and subsequent directions to the City of Marietta/BLW Defined Benefit Pension Plan staff for execution.

SELECTION/RETENTION CRITERIA FOR INVESTMENTS

Investment Manager Selection

Assets of the Fund will be managed by Registered Investment Advisers (RIAs) selected by the Board in conjunction with recommendations of the Investment Consultant. Investment Managers will serve as fiduciaries to the Fund and be responsible for prudent and careful selection of securities within their investment mandates.

Investment Managers shall be chosen using the following general criteria:

1. Past performance, considered relative to other investment managers having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.
2. Investment return history is compliant with professional standards, (GIPS) and audited by a qualified audit firm.
3. Costs are comparable to other investment managers with comparable objectives and investment styles, and product structures.
4. Service commitment by the Investment Manager to serve the Fund through effective and honest communications.
5. Size of the proposed investment mandate, relative to the Investment Manager's existing size and capacity.

6. Length of time the Investment Manager has been in existence and length of time the strategy has been under the direction of the current portfolio manager(s), and whether or not there have been material changes in the Investment Manager's organization and personnel.
7. Organizational leadership and commitment of the firm to the portfolio management team.
8. Financial strength of the firm and its ownership stability.
9. Historical return volatility and downside risk of each proposed investment.
10. Complementary perspective to other asset strategies in the Fund.
11. Likelihood of future investment success, compared to other investment managers in consideration.

While the above criteria are definitive in nature, it must be emphasized that these criteria constitute a guideline, and, in the course of evaluating an Investment Manager, other criteria may come to light that is of such a compelling nature as to outweigh certain elements of the above for purposes of selection or de-selection.

Cash Equivalent Vehicles

The City of Marietta/BLW Defined Benefit Pension Plan's objective is to maintain a minimal cash balance and when possible to be fully invested. All cash equivalent investments shall be pooled investment vehicles, such as money market funds, where the Fund's share price is intended to remain constant and the Fund's yield is comparable with the current risk-free rate of return.

Cash Equivalent vehicles shall comply with the OCGA 47-20-83 and 47-20-84.

Fixed Income and Equity Investment Manager Selection and Retention

All Investment Managers shall invest their assigned assets of the Fund in full compliance with the Georgia State Codes 47-20-83 and 47-20-84.

1. Any selected Investment Manager shall invest in vehicles such as: a commingled account, a separate account or a mutual fund.
2. The investment management fees charged by the Investment Manager should be less than the average of their peers in the same investment strategy and structure.
3. The Investment Manager should have an investment track record of no less than three years in the strategy under consideration.
4. The Investment Manager's average annualized return, net of portfolio expenses, over a three year time period or more, should be in the top half (top third is the target) of the returns generated by other comparable investment managers as compiled by leading national databases.
5. The Investment Manager will incur investment downside risk no more than 20% above that incurred by comparable investment manager's with the same investment objective, as measured by the product composite's "downside standard deviation" over a two-year period.

Once selected, should any engaged Investment Manager's performance fall below the 75th percentile of comparable managers in a large peer universe for a period of two years, the selected Investment Manager will be placed on probation for the subsequent twelve months. If, over the subsequent year, the Investment Manager's average return for the applicable three-year period remains below the 75th percentile, the City of Marietta/BLW Defined Benefit Pension Plan, in conjunction with the Consultant, will make a determination as to whether the Investment Manager's mandate continues to be a prudent and appropriate investment.

Otherwise the Fund's Trustees may place any Investment Manager on probation, or terminate any Investment Manager for any reason they determine to be in the best interest of the Fund.

The City of Marietta/BLW Defined Benefit Pension Plan recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or when specific Investment Managers fail to meet their expected performance targets. Recognizing that no Investment Manager is perfect all the time and that good years help to make up for bad ones, the City of Marietta/BLW Defined Benefit Pension Plan acknowledges the principle that Investment Managers must be given an opportunity to make up for poor periods. Unless there are extenuating circumstances, patience will often prove appropriate when performance has been disappointing.

The City of Marietta/BLW Defined Benefit Pension Plan staff and the Investment Consultant shall evaluate the organizational health of each Investment Manager at least annually. The evaluations shall consider the organizational stability and leadership depth of the firm, its investment processes and the operations. Investment Managers will be obligated to report organizational changes within their leadership, ownership and/or in their investment process promptly to the Investment Consultant. The City of Marietta/BLW Defined Benefit Pension Plan shall consider the stability and discipline within each Investment Manager and make investment manager changes when they determine such changes may be in the best interest of the Fund. As a matter of course, the Consultant and the Investment Managers shall keep the City of Marietta/BLW Defined Benefit Pension Plan apprised of any material changes in their outlook, recommended investment strategy and tactics.

Any material event that affects the ownership of the Investment Consultant or the Investment Manager or the management of the assets must be reported immediately to the City of Marietta/BLW Defined Benefit Pension Plan.

FREQUENCY OF REVIEW

Reports

1. The Consultant shall arrange for the Investment Managers to provide the City of Marietta/BLW Defined Benefit Pension Plan with a report each month that shows the market values and returns for the assets under their management.
2. The Consultant shall provide no less frequently than on a monthly basis and within 15 business days within the end of each such month a performance report that meets the requirements of the City of Marietta/BLW Defined Benefit Pension Plan.
3. Each quarter, the Consultant and each Investment Manager shall prepare comprehensive performance reports that accurately report the investment performance of the Fund and each underlying portfolio. The quarterly

reports will also include a review of the factors that contributed to the reported performance, and a review of economic and market behavior and conditions.

DUTIES AND RESPONSIBILITIES

The Investment Manager(s)

The Investment Managers are expected to manage their assigned asset style mandates in a manner consistent with this Investment Policy Statement, with their specific policy found in the appendix, and in accordance with the Georgia State Codes (OCGA 47-20-83 and 47-20-84), Federal law and the Uniform Prudent Investor Act.

The Investment Managers shall:

1. Have full discretion with respect to market timing and security selection.
2. Employ internal controls to assure that the investments will be managed in compliance with all controlling statutes and regulations.
3. Have stated guidelines to establish minimum expectations.
4. Within thirty days of the end of the calendar quarter, provide to the City of Marietta/BLW Defined Benefit Pension Plan and its Consultant a statement indicating:
 - a. The portfolio composition at cost and market value by sector.
 - b. All individually-named securities and their respective market values.
 - c. All cash transactions, including any transfers of Fund assets.
 - d. Adherence to the Investment Policy.
 - e. A list of any securities not in compliance with the list of security restrictions.
 - f. A copy of their proxy voting record for the previous quarter.
5. Each year, provide a copy of their proxy voting policies and procedures.
6. Each year, provide to the Board and the Investment Consultant a copy of Section II of the Investment Manager's Form ADV (registration form filed with the SEC each year).
7. Be expected to produce on request documentation in support of buy, sell and hold decisions.

The Consultant

The Consultant is expected to consult on the Fund in a manner consistent with this Investment Policy Statement and in accordance with the Georgia State Codes, (OCGA 47-20-83 and 47-20-84) and Federal law and the Uniform Prudent Investor Act. The Consultant is a Registered Investment Adviser and shall act as the Investment Consultant to the City of Marietta/BLW Defined Benefit Pension Plan until the City of Marietta/BLW Defined Benefit Pension Plan decides otherwise.

The Consultant shall be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard the Fund's assets.
3. Recommending Investment Managers within each asset category.
4. Providing each Investment Manager with a current copy of the IPS.
5. Write manager specific policies as necessary.
6. Monitoring the performance of all selected Investment Managers.
7. Recommending changes to any of the above.
8. Periodically reviewing the suitability of the Fund's investments for the City of Marietta/BLW Defined Benefit Pension Plan.
9. Preparing and presenting appropriate performance reports.

The Consultant will not take title to any assets, nor shall the Consultant exercise discretionary control over any of the Fund's assets. The Consultant shall be responsible only for making recommendations to the City of Marietta/BLW Defined Benefit Pension Plan and to carry out its responsibilities as directed by the City of Marietta/BLW Defined Benefit Pension Plan.

City of Marietta/BLW Defined Benefit Pension Plan

The City of Marietta/BLW Defined Benefit Pension Plan shall be responsible for:

1. The oversight of the Fund.
2. Defining the investment objectives and policies of the Fund.
3. Directing its Consultant to make changes in the Investment Policy, and to oversee and to approve or disapprove the Consultant's recommendations with regard to policy, guidelines, objectives, Investment Manager searches, monitoring and performance oversight on a timely basis.
4. The City of Marietta/BLW Defined Benefit Pension Plan shall provide the Consultant with all relevant information on the City of Marietta/BLW Defined Benefit Pension Plan's financial conditions and risk tolerances, and shall notify the Consultant promptly of any changes to this information.

ADOPTION

Adopted by the below signed:

City of Marietta/BLW Defined Benefit Pension Plan

By: Mark Anderson, Chairman, Pension Board

By: William B. Dunaway, Mayor

By: Stephanie Guy, City Clerk

Date:

Approved as to Form:

By: Doug Haynie, City Attorney

Date:

APPENDIX

Allocation target ranges are provided to accommodate fluctuations in market value while providing guidance to the City of Marietta/BLW Defined Benefit Pension Plan and its Consultant regarding the appropriate mix of assets relative to portfolio performance, current capital market expectations and economic conditions. The following policy mix is established to comply with the guidance of OCGA 47-20-83/84 on a long-term basis while providing the greatest potential for the portfolio to achieve its investment objectives.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
1. Equity	20.0%	55.0%	50.0%
A. Large Cap	10.0%	55.0%	
B. Small-Mid Cap	0.0%	30.0%	
C. International	0.0%	10.0%	
D. Public Real Estate (REITS)	0.0%	15.0%	
2. Fixed	15.0%	80.0%	40.0%
A. Investment Grade	15.0%	80.0%	
B. International	0.0%	7.5%	
3. Alternatives	0.0%	15.0%	10.0%
A. Convertible Bonds	0.0%	15.0%	

Date Recommended:

City of Marietta/BLW Defined Benefit Pension Plan

By: Mark Anderson, Chairman, Pension Board